



Unit 5

Operational Plan

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Identify ways to protect your intellectual property
- ✓ Describe effective ways to brand your product
- ✓ Choose the right location for your business

Unit 5

Operational Plan

Setting Up Your Office

Choosing a Location

Narrowing Down the Search

If your business is going to have a physical building, choosing the right location is crucial for your success. A good location should meet the following criteria:

- Close to where your customers live, work, and/or play
- Close to your competition
- Easily accessible by car, foot, and/or public transportation, depending on your market
- Appropriate demographics for your target market (for example, a skateboard shop in an area primarily composed of seniors may not be a good idea)
- Appropriate growth projected for the future
- No projected impediments (for example, a big box store that would undercut your business opening in the next year)
- Minimal seasonal variances

Finding Resources

A local real estate broker who is familiar with the area and business locations can be a great asset in your search. Be sure to find out what fees and commissions they require.

You can also hire research firms to provide information such as demographics, traffic, projected growth, etc. This can be very valuable in locations that are very competitive or quickly growing.

With a bit of research, and perhaps some outside help from these resources, you should be able to create a short list of three or four locations that look promising.

Asking the Right Questions

Once you have a short list of prospective locations, you can do some more in-depth research to make sure that:

- The area and building are zoned for your type of business
- The area and building meets licensing requirements (if applicable)

- The building has all the facilities you need (such as separate entrances for staff and customers, adequate washrooms, working areas, storage, etc.)
- The building meets workload and safety requirements for your type of business
- You can find qualified employees in that area
- The location is convenient for you to get to
- The neighborhood is safe and matches your image
- The location is well-maintained
- There is adequate transportation and parking for staff and customers
- There is room for delivery vehicles to safely pick up and drop off merchandise (if applicable)
- Your insurance will cover that location
- There is room for growth (either now or in the future)
- You know how long the lease rate is locked in for and how long lease terms are
- You know what expenses are included and not included in the lease

Then, you can interview the landlord, examine the space, and perhaps even talk to other tenants. Once you have made a decision, have an attorney review the lease contract before you sign it.

The Pros and Cons of Home-Based Businesses

Advantages and Disadvantages

If you're just starting your business (especially if it's Internet-based), working from home might be the most convenient choice. Advantages of home-based businesses can include:

- No commute time
- Minimal startup costs
- Tax benefits
- Better work-life balance

What are some other advantages?

However, there can be some disadvantages as well, such as:

- If you're not used to working from home, it can be hard to establish the right balance and focus on the business
- Depending on the type of business, there may be additional license, insurance, and/or zoning considerations

- Quick growth can mean you're suddenly looking for office space

What are some other disadvantages?

The Roaming Entrepreneur

Many entrepreneurs choose to work and play at the same time. If you're a travel consultant and blogger, for example, you might do most of your work while flying from one exotic location to the next. If you're a consultant for a specialized type of technology, being flexible about the area that you work in can greatly expand your business opportunities.

If you're thinking about being a roaming entrepreneur, make sure that:

- You have your business firmly established first
- You have the tools to support it (such as cloud-based document backup)
- You meet licensing and visa requirements for the area(s) you are travelling to

Launching the Business

Getting Off the Ground

Just Like the Movies!

Your business' launch should start well before your website goes live or you turn on the "Open" sign for the first time. Chris Guillebeau, author of *The \$100 Startup*, puts it like this: "A good launch is like a Hollywood movie. You first hear about it far in advance, then you hear more about it before the debut, then you watch as crowds of people anxiously queue up for the opening."

Pre-Launch

In the days, months, and weeks before you start your business, let people know what is coming. Use your 30-second pitch to share what your product is and how it will help the customer. If you've got the

budget, this is the time for big events, like mock commercials, flash mobs, public stunts, and teaser websites. Increase your presence and your efforts as launch day gets closer.

If you have a team of employees, keep them informed of the launch progress. Make sure that your plans for launch day are clear. If possible, do a trial run with mock customers. If you have an e-commerce website, test, test, and test some more. Make sure that your system can handle at least ten times the projected customer volume. As well, make sure that support systems are in place, so that employees (and customers) know where to turn for help.

The Launch

Typically a product launch lasts about a week. During this time, marketing efforts are at their highest point to generate maximum interest. You need to be on hand to handle issues, resolve glitches, and make sure that everything is going according to plan.

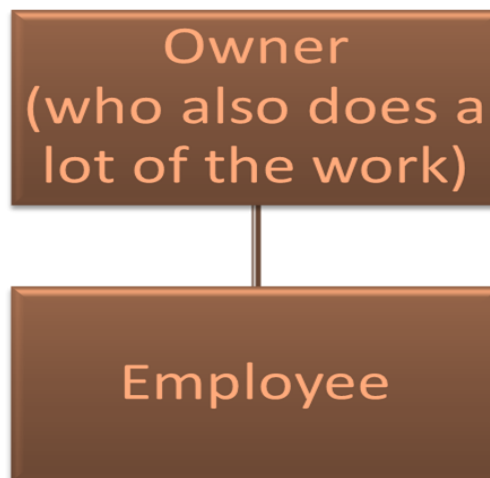
Post-Launch

After the launch, take a breather and step back. Ask yourself, your employees, your customers, and your stakeholders (if applicable): What went well? What could we do better? Then, plan your improvements, execute them, and continue to work on building the business. Keep everyone informed about what's coming next, too.

Setting Up Your Organizational Chart

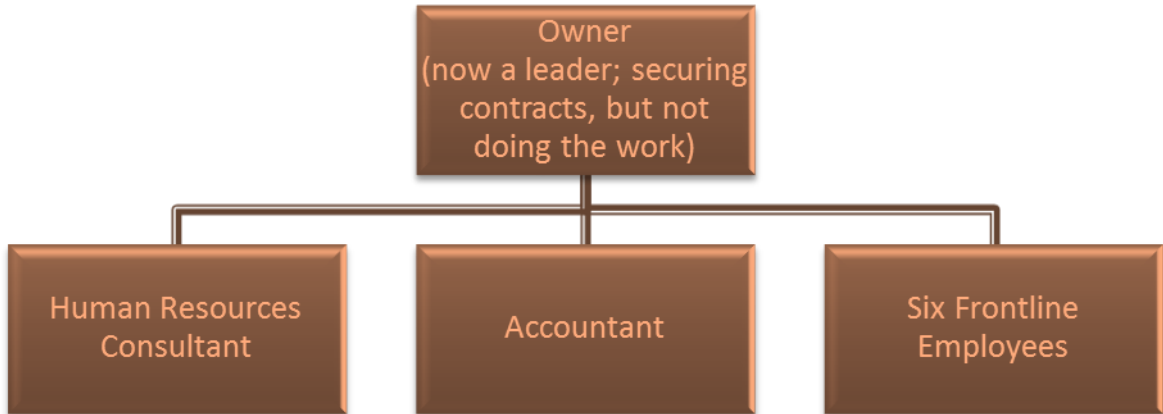
Establishing the right organizational structure will help you focus efforts in the right places and adapt to changes in the business environment. In addition, although we speak of structure, we have to keep in mind that the work is performed by, and relationships are developed with, people. If you forget the human part of your business, you aren't going to find much support for it.

When you start out, it may just be you. As time grows, it might be just you and one other person:

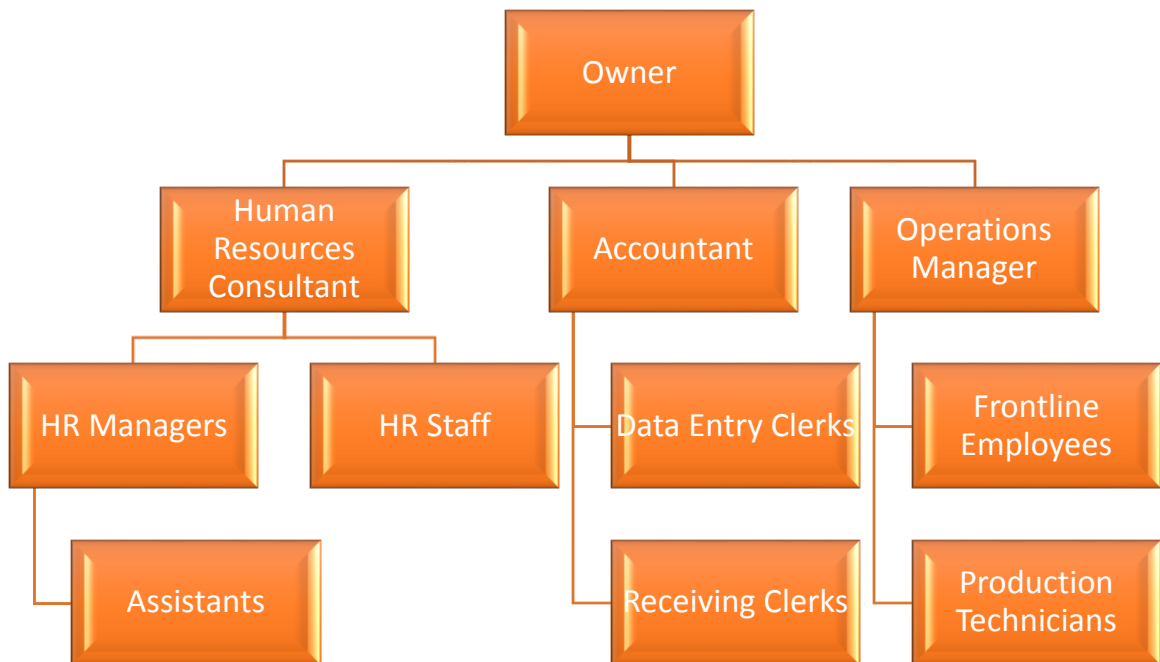


As the company grows, you will run out of hours to get all the work done as well as doing the management tasks that are needed. Let's say that you secure a big contract and need to hire eight people to do the work, including an accountant and someone to do the hiring and people management.

The new organization chart might look like this:



Again, as the organization grows, we tend to add layers of management and workers to meet the business' needs. Some companies will try to stay flat in order to provide those workers with the authority they need to carry on the work. At other times, they look like large, layered pyramids, like the one below. As the organization grows, people at the front line get farther away from the decision maker at the top of the pyramid, and the decision maker also gets farther away from the customer or client.



It's essential to make sure that you have the right people on board and that your business grows in the right way.

Recruiting and Engaging the Right People

When you know you are stretching beyond your capacity, or you need some additional expertise, it could be time to grow your team! Here we will present a step-by-step process, from thinking you may need someone to bringing that person on board.

Step One: Determining That You Have a Position to Fill

Look at your organization with a long range view and review your goals for growth and development. This will help you to create and fill the right position, rather than creating a position that is perhaps serving you in the short term but doesn't give you the results that you intended.

Step Two: Doing Your Homework

Once you decide on the position to fill, you'll need to create a position profile or job description so that you know the type of expertise you will need to recruit. This will put you through an exercise of determining what tasks can be completed by this person, and whether you will hire the person full time, part time, on contract, or as a consultant.

Step Three: Recruiting

This is the process of finding and attracting the people that you want. Whether you do this yourself or use the expertise of a recruiter, it's important that you find the right people. In many cases, the people that you want to hire are already working, so you'll need to find a way to reach them specifically.

The way that we recruit and hire has changed dramatically in the last several years; we don't always advertise in the classified section of a newspaper anymore. Companies almost exclusively want e-mail and electronic submissions, but there are plenty of people who do not search the Internet looking for work if they are happy in their job. You have to find them, rather than expect them to be looking for you. In a tight labor market, or when highly specialized skills are required, your ability to network, research, attract, and retain people becomes an essential skill.

Step Four: Selecting

The next step is to sort through your candidates and select the best candidate. **Interviewing** is the standard for determining if the person might be a good fit for your company. **Formal testing** helps to assert whether their claims of certain abilities and skills are valid, although there are legal issues that can arise if you use invalid tests. The other challenge to testing is that some people are really bad at writing tests, and you might pass on a candidate who could be a great fit for the company and has the ability to learn what is needed just because they do not test well. **Reference checking**, which is becoming more

and more difficult due to privacy concerns, is still relied upon and necessary to validate a person's work experience and their formal education.

Step Five: Offering

You know who you want, and in this stage you offer them the job. During this conversation, you need to know the salary you are willing to offer and terms of employment (such as contracts the candidate will have to sign, benefits, vacation, hours of work, expectations of the job, etc.). You also need to know to what extent you are willing to negotiate the contract, since your candidate may have some ideas about what they are willing to agree to.

Step Six: Orientation and Onboarding

This is both the final step in the recruiting process and the first steps that the individual takes as a part of your organization. When employers do this badly, good people (whom they spent a lot of time and resources to find) leave the organization. Or worse, they wish they had left but continue to collect a paycheck from you while they keep their eyes open for new opportunities.

Be prepared for the new person **before** they start their new job, and then be ready to provide them with a welcome so that they start off on the right foot. This means that their workstations are ready (whether this is a cubicle, a position at a cash register, or the cab of a truck), people know they are coming, and that orientation forms are ready for them to sign.

People take from two to six weeks to decide whether they have made a good decision in starting a new job. Your job is to engage their interest and commitment during the recruiting process, which might be well before they actually start work with you. If they arrive on the first day and cannot enter the building because they do not have an access pass, things are already off to a rocky start. The **orientation** period includes that critical first week or two that the person is on the job, while they adapt to their new surroundings, and get familiar with their position and the team.

Onboarding is something we look at with a slightly longer lens than orientation. Onboarding is about the development of the individual's career within the new environment. Depending on the job itself, it can take from six months to a year or more for someone to feel fully competent, which may include experiencing a full cycle of the business. Your responsibility in the onboarding process includes providing the newcomer with appropriate feedback, ensuring that they are developing the skills and expertise to succeed (which benefits your organization), and that they are engaged in the work they are doing.

Keeping the Business Moving

Keeping Track of Your Business

You should document every aspect of your business from the day it starts. Having solid numbers will tell you what you are doing well and where you need to improve. It can also help you plan for the future.

Here are a few benchmarks that every business should keep track of:

- Customer satisfaction ratings (typically broken down into satisfactory, neutral, and unsatisfactory)
- Downtime for production, sales, and/or service departments (as applicable)
- Website conversion rate and/or store traffic rates
- Response rates at each step of the sales process
- Length of each step of the sales process
- Statistics for all advertising and promotional campaigns
- Market reach
- Net and gross product profit margins
- Key financial ratios including summaries of revenue and expenses
- Total staff cost

If you are a product-based company, you should also know:

- Number of units produced in a particular period of time (depending on the business)
- Amount and cost of waste produced (including rejects)
- Cost of current inventory

What other benchmarks might you want to track?

Growing Your Business

Once your business is launched and running smoothly, you might be asking yourself, “What’s next?” There are lots of answers to that question! Here are a few ways that you can grow your business.

Improve Existing Products and Services

There is always room for improvement! Evaluate your existing products and services and see what you can do better. Remember to check in with customers to see what they want, do market research, and fully test the product.

Develop New Products

You can also develop new products to expand your business’ offering. Each product should go through the design, development, As well, make sure that your product fits the vision of the company and fits in with the products and services that you are already offering.

Increase Your Average Sale

One of the most effective ways to increase sales is to increase the average sale per customer. Let’s say that you have 100 customers a day who each spend \$50 on average. If you develop a product that adds \$10 to that average sale, you’ve just increased your sales by 20%.

There are three basic ways to increase your average sale:

- Upsell: Offer a bigger, better version of the product, or add-on items
- Cross-sell: Offer related items
- Post-sell: Offer special products after the sale

Be Social

Once you have a customer base, use them to spread the word about your business. Customer stories shared on your website or through social media, giveaways, contests, referral programs, and loyalty rewards can help retain existing customers and gain new ones. Like any other aspect of your business, these programs should be carefully planned, monitored, and evaluated to ensure that you’re getting results.

Don’t Give Up!

Staying Positive

There might be days when you don’t make a single sale, get a single new prospect, or make any progress on your business at all. Sometimes, building a new business feels like an uphill battle.

If you're having a bad day, take a moment to review your business plan. Why did you start this journey? How far have you come? What have you accomplished? Focusing on the positive can give you a boost to keep going. Talking to supportive family and friends can also be helpful.

If your bad day extends into weeks and months, take a serious look at what you are doing. Are you passionate about your product and service? Are your ideas solid? Is your business plan solid? You may want to consult with an expert, such as your mentor or a local small business agency.

Coming Out on the Other Side

Even the biggest businesses have rough patches from time to time. Successful businesses take that time to reflect, evolve, and grow to meet new requirements. Businesses that fail don't grow, and try to continue offering something that is no longer valuable or relevant.

Consider these case studies:

- Star Trek was cancelled after its first three seasons... and then went on to become one of the biggest television and movie franchises in history.
- Sales at Apple dropped by 18% for three years in the 1990's, until Steve Jobs' return in 1997. Since then, they have changed the way people live, work, and play with products like the iPod, iPhone, and iPad.
- In 2004, sales of LEGO™ dropped by 35%. After successful licensing deals with major movie and video game franchises, the company is back on track.
- Marvel's comic book business was in trouble, until the late 1990's when they formed Marvel Enterprises and began making movies featuring comic book characters.

Further Reading:

- ✓ *Carnegie, Dale. How to Win Friends and Influence People. Pocket Books, 1998 (Reprint).*
- ✓ *Dyer, Wayne. Everyday Wisdom. Hay House, 2005.*